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Supreme Court, U.S.
FILED
AUG 13 1993
OFFICE OF THE CLERK

No. 92-1986

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

FILMTEC CORPORATION,

Petitioner,

v.

HYDRANAUTICS,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENT'S BRIEF IN OPPOSITION

J. FRANK OSHA
SUGHRUE, MION, ZINN, MACPEAK & SEAS
2100 Pennsylvania Avenue, N.W.
Suite 800
Washington, D.C. 20037-3202

DALE H. HOSCHEIT*
LANCE G. JOHNSON
BANNER, BIRCH, MCKIE & BECKETT
1001 G Street, N.W.
Suite 1100
Washington, D.C. 20001-4597
(202) 508-9100

*Counsel of Record

PRESS OF BYRON S. ADAMS, WASHINGTON, D.C. (202) 347-8203

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17 pp

QUESTION PRESENTED

Should this Court grant review to consider whether the Federal Circuit erred in its unanimous decision on a question of patent law within its exclusive jurisdiction, when it construed a 1976 research contract, issued by a government office that no longer exists, pursuant to a statute that was repealed in 1978, to vest title in the United States to a specific invention at the time the invention was conceived, and to authorize a third-party beneficiary of that contract to raise the defense of Government title?

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
TABLE OF CASES, STATUTES, LAWS, AND AUTHORITIES	iii
STATEMENT	1
ARGUMENT	3
I. THE FEDERAL CIRCUIT DECISION DOES NOT HAVE BROAD APPLICABILITY.	4
A. THE JUDGMENT BELOW IS BASED ON THE SALINE WATER CONVERSION ACT AND THE TERMS OF THE MRI CONTRACT.	5
B. THE APPLICABILITY OF FNERDA HAS BEEN SEVERELY RESTRICTED BY SUBSEQUENT LEGISLATION.	8
II. THERE IS NO CONFLICT OF AUTHORITY EVEN WITHIN THE FEDERAL CIRCUIT.	9
III. THE DECISION BELOW IS CORRECT AND IN ACCORD WITH RELEVANT PRECEDENT.	11
CONCLUSION	12

TABLE OF CASES, STATUTES, LAWS, AND AUTHORITIES

CASES	Page
Arachnid v. Merit Industries, Inc., 939 F.2d 1574 (Fed. Cir. 1992)	10
Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989)	10
Crown Die & Tool Co. v. Nye Tool & Machine Works, 261 U.S. 24 (1923)	11
FilmTec Corp. v. Allied-Signal, Inc., 939 F.2d 1568 (1991)	6,9,11
FilmTec Corp. v. Allied-Signal, Inc., Nos. 92-1007, -1023 (Fed. Cir. January 7, 1993)	9
Gayler v. Wilder, 51 U.S. (10 How.) 477 (1850)	11
The Monrosa v. Carbon Black Export, Inc., 359 U.S. 180 (1959)	5
Waterman v. Mackenzie, 138 U.S. 252 (1891)	11
Wisniewski v. United States, 353 U.S. 901 (1957)	10
STATUTES AND LAWS	
28 U.S.C. § 1295	3
28 U.S.C. 1338	4
35 U.S.C. § 100(d)	10
35 U.S.C. § 200	9
35 U.S.C. 202	9
35 U.S.C. 210	9
35 U.S.C. § 281	10
Federal Non-nuclear Energy, Research and Development Act of 1974	3,5,6,8,9,11
Saline Water Conversion Act of 1971, Pub. L. No. 92-60, 85 Stat. 159	2,3,5-8,11
Pub. L. No. 94-316, 90 Stat. 694	3
Pub. L. No. 95-467, § 410, 92 Stat. 1316	2
OTHER AUTHORITIES	
Executive Order 12591, § 1(b)(5) (April 10, 1987)	9

Table of Authorities Continued

Page

S. Rep. No. 275, 97th Cong., 1st Sess. 3-6 (1981) 10

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent Hydranautics[1] opposes the petition for a writ of certiorari filed by FilmTec Corporation ("FilmTec") in this case.

STATEMENT

This is a case about the interpretation of a 1976 contract, issued by a government office that no longer exists, pursuant to a statute that was expressly re-

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[1] Pursuant to S. Ct. Rule 29.1, respondent notes that it is a wholly owned subsidiary of Nitto Denko America, Inc. Respondent has no subsidiaries that are not wholly owned.

pealed in 1978. Under the contract, the United States funded research into desalination systems with the express provision that the Government would have title to any inventions discovered in the course of or under the contract. The contract—with Midwest Research Institute ("MRI")—was issued by the Office of Water Research and Technology, which no longer exists, pursuant to the Saline Water Conversion Act of 1971, Pub. L. No. 92-60, 85 Stat. 159, which was repealed in 1978. Pub. Law No. 95-467, § 410, 92 Stat. 1316. As the Federal Circuit unanimously concluded, MRI's employee, Cadotte, conceived of the invention at issue—a membrane—while working under the contract, and then "essentially duplicated" those experiments promptly after he left MRI to help found FilmTec. *See* Pet. App. 5a, 14a-15a.

The following table confirms the identity of Cadotte's experiments at MRI under the contract and his later experiments at FilmTec:

Materials	MRI 72A (Nov. 77)	FilmTec 45A (Feb. 78)	FilmTec 45C (Feb. 78)
Amine	1% MPD	1% MPD	1% MPD
Support	Polysulfone	Polysulfone	Polysulfone
Solvent	Water	Water	Water
Acyl Halide	1% TMC	1% TMC	1% TMC
Solvent	Hexane	Hexane	Hexane
Reaction Time	10 sec.	10 sec.	10 sec.

Although the drying temperature was reduced from 130°C at MRI to 100°C at FilmTec, the inventor himself characterized the change in drying temperature as only a "gradual improvement in the conditions for making the membrane" Ct. App. J.A. A289.

Even though the contract specified that title to all inventions under the contract vested in the United States, and the Saline Water Conversion Act specified that all information and patents resulting from government funded research will "be available to the general public," Pub. L. No. 92-60, § 6(d), FilmTec sought and was awarded a patent on Cadotte's invention. When FilmTec sued Hydranautics for infringement of that patent, Hydranautics objected that FilmTec could not pursue an infringement action in light of the Government's ownership of the invention. The Federal Circuit agreed in a unanimous opinion, concluding that the invention belonged to the Government and that Hydranautics could raise that defense in light of the specific terms of the 1976 MRI contract, the provisions of the Saline Water Conversion Act, and the provisions of the Federal Non-nuclear Energy, Research and Development Act of 1974 (FNERDA), which were made applicable to the Saline Water Conversion Act in 1976. Pub. Law No. 94-316, 90 Stat. 694. FilmTec's petition for rehearing and suggestion of rehearing in banc were denied without recorded dissent. Pet. App. 48a.

ARGUMENT

This case involves no issue worthy of this Court's attention. The petition does not remotely fit within the criteria for the exercise of certiorari jurisdiction set forth in this Court's Rule 10. There is and can be no conflict among the Circuits, *see* S. Ct. Rule 10(a), given the exclusive jurisdiction of the Federal Circuit. 28 U.S.C. § 1295. There is and can be no conflict with state courts of last resort, *see* S. Ct. Rule 10(b), in view of the exclusive federal jurisdiction

over patent cases. 28 U.S.C. § 1338. Nor does petitioner allege a conflict with any decision of this Court, *see* S. Ct. Rule 10(c). Indeed, petitioner cites only one Supreme Court precedent in its entire petition—a 70-year old case cited only once for its quotation of a patent treatise on an issue not directly implicated by the decision below. *See* Pet. at 9.

Finally, the Federal Circuit did not decide an important issue of federal law which has not been but should be settled by this Court. *See* S. Ct. Rule 10(c). In the first place, one reason the Federal Circuit was given exclusive jurisdiction was so that *it* could settle the specialized questions within its jurisdiction without need for Supreme Court intervention. Second, the ruling below turned on a heavily fact-oriented combination of contract terms and repealed statutory directives that is unlikely ever to arise again. Third, there are alternative holdings below—none of which raise the broader issue petitioner seeks to present. The petition should be denied.

I. THE FEDERAL CIRCUIT DECISION DOES NOT HAVE BROAD APPLICABILITY.

Petitioner contends that this Court should grant certiorari to review the Federal Circuit's holding that a party sued for patent infringement may raise the defense that the plaintiff is not the owner of the patented invention. *See* Pet. at 6. Although this unremarkable holding would not warrant certiorari in any event, it is not what the court below held. Instead, the Federal Circuit based its judgment on alternative holdings, each extremely narrow in scope and intensely fact-specific. The very limited significance of each of these holdings considered alone, and the fact that there are alternative holdings fully sup-

portive of the judgment below, make this case a peculiarly inapt candidate for plenary review by this Court. *See, e.g., The Monrosa v. Carbon Black Export, Inc.*, 359 U.S. 180 (1959) (Court compelled to dismiss writ of certiorari as improvidently granted, where broad question presented in petition turned out not to be presented in the case).

A. THE JUDGMENT BELOW IS BASED ON THE SALINE WATER CONVERSION ACT AND THE TERMS OF THE MRI CONTRACT.

Petitioner argues that the broader significance of the decision below derives from its interpretation of FNERDA. *See* Pet. at 15. The judgment below, however, is also fully supported by the Federal Circuit's construction of the MRI contract and specific provisions of the Saline Water Conversion Act, without regard to FNERDA. The Federal Circuit explained in unambiguous terms, after noting the applicability of FNERDA, that "our decision concerning FilmTec's inability to maintain the present suit is *also* based on the fact that Hydranautics was a third party beneficiary of the Contract." Pet. App. 8a (emphasis added). As the Court of Appeals explained:

> Section 6(d) of the Saline Water Conversion Act, the legislation under which the Contract was let, provides:
>
> > All research within the United States contracted for * * * under authority of this Act, shall be provided for in such manner that all * * * patents * * * resulting from such research developed by Government expenditure will * * * be *available to the general public.*

> Because, as this statute makes clear, Congress intended that inventions made under the Contract be available to the "general public," of which Hydranautics is a member, it would be contrary to the intent of Congress to permit FilmTec to preclude Hydranautics from practicing such an invention. Hydranautics is clearly a member of the general public to whom inventions made under the Contract must be available. [Pet. App. 8a-9a (emphasis added by court).]

The Saline Water Conversion Act was repealed 15 years ago. This is the first decision under the Act and could well be the last. The construction of a statute which has not been in existence for 15 years is not the stuff of which a "far-reaching rule of patent law" (Pet. 6) is made.

Nor does the construction of the 1976 MRI contract by the court below present a question worthy of certiorari. As the Federal Circuit found, the 1976 research contract provided for the immediate vesting in the United States of title to inventions conceived under the contract. Pet. App. 4a. This ruling supports the judgment below, quite apart from FNERDA. Indeed, another panel of the Federal Circuit in *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (1991), reached just such a conclusion based *solely* on the language of the MRI contract, without reference to FNERDA.

The Federal Circuit below concluded that the assignment document purportedly conveying ownership of the invention from Cadotte to FilmTec was void. Title to the invention had passed to the Government when the invention was conceived, and Cadotte there-

after had no rights to assign FilmTec. Pet. App. 15a. FilmTec's petition for certiorari is predicated on a disagreement with this fact-specific conclusion of the Federal Circuit.

The petition asserts that the language of the contract "can only fairly be read as creating an equitable right to future assignment of title to independently patented inventions." Pet. at 12. That is, however, not how the Federal Circuit below read the contract. Only by disputing the lower court's interpretation of this specific contract provision can FilmTec redraft the holding below to raise the broader question it seeks to present in its petition. Because this Court does not sit to review such fact-specific questions, the petition should be denied.

Petitioner is compelled to acknowledge the Federal Circuit's reliance on the now-defunct Saline Water Conversion Act and the MRI contract, *see* Pet. at 5 n.3, 16 n.11, but contends that "[t]he court gave no indication that any infringers' standing to raise title issues is limited to cases where they are third-party beneficiaries of prior contracts." Pet. at 16 n.11. This case *is*, however, a case in which the alleged infringer is a third-party beneficiary of a prior contract, and the court's holding is accordingly limited by that factual context. The Federal Circuit expressly viewed its contract analysis under the Saline Water Conversion Act as an alternative ground of decision, *see* Pet. App. 8a (decision "also based on fact that Hydranuatics was a third party beneficiary of the Contract"). If this Court were interested in reviewing the general question of an infringer's right to raise title issues, it would be more suitable to await a case in which that issue was cleanly presented and could be reached.

If petitioner is correct that the Federal Circuit "has announced a new and far-reaching rule of patent law," Pet. at 6, such cases should not be long in coming.[2]

B. THE APPLICABILITY OF FNERDA HAS BEEN SEVERELY RESTRICTED BY SUBSEQUENT LEGISLATION.

The Federal Circuit's analysis of FNERDA is an alternative basis for its judgment below. Although FilmTec focuses on that statute, it is important to recognize that even the holding based on FNERDA does not present the broad question FilmTec seeks to raise in its petition. The court below construed FNERDA as vesting title to inventions covered by its provisions in the Government as of the time of conception, and permitted a party in Hydranautics' position to defend an infringement action on that basis. Contrary to petitioner's suggestion, this does not mean that a defendant can challenge a plaintiff's ownership of the patent in cases not covered by FNERDA, in which the issue may be an equitable right to future assignment of patent rights rather than immediate vesting of title to the invention in the Government. Indeed, the cases relied on by petitioner (Pet. 6, 8-10) are readily distinguished on this basis. Pet. App. 3a-4a, 8a.

In any event, the Federal Circuit's FNERDA analysis was not necessary to its judgment below. Even if it were, the import of the decision does not have

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[2] FNERDA did not in any way undercut reliance on the Saline Water Conversion Act. The MRI contract itself embodied the advance determination that title to any inventions vested in the United States and, de facto, met the requirements of FNERDA § 9(a). All the determinations required by § 9(a) were made in advance by the contract.

the reach petitioner projects. As petitioner recognizes (Pet. 16 n.10), Section 9 of FNERDA was superseded in 1980 for a wide variety of Government-funded research contracts by 35 U.S.C. § 200 *et seq.*, particularly §§ 202 and 210. Those provisions limited FNERDA to a narrow range of circumstances by allowing nonprofit organizations and small businesses to elect to "retain" title to inventions. Executive Order 12591, § 1(b)(5) (April 10, 1987) directed federal agencies thereafter to grant "to all contractors, regardless of size, the title to patents made in whole or in part with Federal funds, in exchange for royalty-free use by or on behalf of the government." This Order further restricted the practical significance of FNERDA's automatic vesting provision and limits the applicability of the decision below.

II. THERE IS NO CONFLICT OF AUTHORITY EVEN WITHIN THE FEDERAL CIRCUIT.

As petitioner recognizes, the Federal Circuit has exclusive jurisdiction over patent appeals. Not only did the Federal Circuit panel unanimously reach the decision below, but that decision is in accord with the decision of two other Federal Circuit panels which construed the MRI contract in the same way. *See FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568 (1991) and *FilmTec Corp. v. Allied-Signal, Inc.*, Nos. 92-1007, -1023 (Fed. Cir. January 7, 1993). Three panels of *six* different Federal Circuit judges unanimously concluded that the present assignment of an expectant interest in the MRI contract conveyed legal title to the Government when the invention was conceived. Such a prior conveyance is sufficient to bar an infringement action by FilmTec.

FilmTec argues that the definition of "patentee" in 35 U.S.C. § 100(d) and use of the word "patentee" in 35 U.S.C. § 281 confer standing to sue on FilmTec despite the Government's vested ownership of legal title in the invention. FilmTec relies heavily on language taken out of context from *Arachnid v. Merit Industries, Inc.*, 939 F.2d 1574, 1578-79 (Fed. Cir. 1992) as support for this proposition. *See* Pet. at 8-9. *Arachnid,* however, concerned a contract containing an "*agreement to assign*, not an assignment." *Id.* at 1580 (emphasis in original). The Arachnid contract did "not rise to the level of a present assignment of an existing invention, effective to transfer all legal and equitable rights therein to Arachnid and extinguish any rights of [the inventor]." *Ibid.* The *Arachnid* decision expressly distinguished the agreement to assign at issue there from a present assignment such as that contained in the MRI contract. *Id.* at 1580-81.

While an intracircuit conflict is normally not worthy of review by this Court in any event, *Wisniewski v. United States*, 353 U.S. 901, 902 (1957), there is no intracircuit conflict whatever here. There is no reason for this Court to review the unanimous Federal Circuit holdings on the issues of patent law found in this case. This Court has particular reason to defer to the Federal Circuit's expertise in establishing a nationally uniform body of precedent under the patent laws, thereby relieving this Court of that burden. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989); S. Rep. No. 275, 97th Cong., 1st Sess. 3-6 (1981).

The Federal Circuit ruled that FilmTec was not the proper owner of the patented invention, because (1)

the MRI contract vested title in the invention in the United States, (2) the Saline Water Conversion Act vested title in the invention in the United States, and (3) FNERDA vested title in the invention in the United States. This Court would need to review and reverse each of these grounds of decision to affect the judgment below.

III. THE DECISION BELOW IS CORRECT AND IN ACCORD WITH RELEVANT PRECEDENT.

The petition suggests that the decision will create uncertainties flowing from the inventor's previous activities under a Government-funded contract, but any such uncertainties will arise whether or not this Court reverses the decision below. After all, if an invention rightfully belongs to the Government, that right is not extinguished by a subsequent improper assignment by the inventor to one who is not a *bona fide* purchaser, particularly since the petitioner here does not challenge the right of the Government to take action to enforce its right. The Federal Circuit so held in accord with relevant precedent from the earliest days to the present. *See FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1573-74 (1991); and *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 493 (1850). Documents recorded as assignments of patent rights have traditionally been subject to rebuttal evidence proving that the document was ineffective to confer standing to sue for infringement. *See, e.g., Waterman v. Mackenzie*, 138 U.S. 252 (1891); *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 40 (1923); and *Gayler v. Wilder, supra.*

The same arguments and essentially the same list of decisions relied on here by petitioner were presented to and considered by three panels of the Fed-

eral Circuit—once in this case and twice in the companion litigation against Allied-Signal. The issue was fully briefed by FilmTec, but FilmTec's position was rejected by all three panels of the Federal Circuit. It deserves the same fate here.

CONCLUSION

There is no issue in this case worth review by certiorari. The Government has finally received the invention it paid for 17 years ago. FilmTec's petition should be denied.

Respectfully submitted,

J. FRANK OSHA
SUGHRUE, MION, ZINN,
MACPEAK & SEAS
2100 Pennsylvania Avenue, N.W.
Suite 800
Washington, D.C. 20037-3202

DALE H. HOSCHEIT*
LANCE G. JOHNSON
BANNER, BIRCH, MCKIE &
BECKETT
1001 G Street, N.W.
Suite 1100
Washington, D.C. 20001-4597
(202) 508-9124

Counsel of Record